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**ARIZONA CORPORATION COMMISSION**

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August 9, 2006

**Re: Gold Canyon Sewage Company Rate Case; Docket No. SW-02519A-06-0015**

Dear Parties to the Docket:

As you know, the Commission has received hundreds of consumer comments about the upcoming Gold Canyon rate case. It is clear from the outpouring of correspondence from Gold Canyon residents that this case has raised a number of serious issues. It is appropriate that we have scheduled a public comment session at the Superstition Room at the MountainBrook Village Activities Center in Gold Canyon on September 13 at 6 p.m. so that a full airing of the residents' concerns may occur prior to the formal hearing on this matter.

The size of the proposed rate increase and the alleged failure to address ongoing odor problems are subjects of great concern for Gold Canyon customers. According to the Company's pre-filed testimony, it spent more than \$1 million on odor and noise control as a result of complaints about the odors emanating from the Company's wastewater treatment facility.<sup>1</sup> According to Staff's pre-filed testimony, the Company is in compliance with both Arizona Department of Environmental Quality requirements and the ACC's Compliance section.<sup>2</sup> And yet, despite this testimony by both Staff and the Company, the Commission has received a voluminous amount of correspondence from residents suggesting that the odor problems persist.<sup>3</sup>

Because I believe these odor issues deserve immediate attention, I will be asking Staff to investigate the odor problems and provide a report to the Commission on the status of the situation as soon as possible. I would also like the Parties during the course of the upcoming hearing to address the discrepancy between what residents are describing in their neighborhoods, and the testimony of several of the Parties in the matter.

In addition to the size of the proposed rate increase, residents appear to find the Company's proposal unsettling in light of comments allegedly made by a spokesman for Algonquin in 2001. According to news accounts and some comments filed in this docket, the Company's spokesman at the time apparently promised residents their rates would not increase again following Algonquin's purchase of the Gold Canyon facility in 2001 and the rate increase that also occurred in that year. These statements were apparently not refuted by Algonquin at the time

<sup>1</sup> See testimony of Michael D. Weber, Page 8.

<sup>2</sup> See testimony of Marlin Scott, Exhibit MSJ, Page 4.

<sup>3</sup> Additionally, Pinal County County Supervisor Sandie Smith has been quoted as saying the odor issues are ongoing. See East Valley Tribune, July 14, 2006, "Sewer, management of plant raise stink for some in Gold Canyon."

Parties to the Docket  
Gold Canyon Water  
August 9, 2006  
Page 2

though, according to news accounts, the company now states that the spokesman misspoke and should not have made such promises.<sup>4</sup>

Finally according to Decision No. 64186 and 2000 Settlement Agreement, both Staff and Intervenor MountainBrook Village at Gold Canyon agreed to the 2001 rate increase because they believed that transferring ownership from a developer to an investor owned utility would result "in improved operation of the Company."<sup>5</sup>

In addition to addressing the odor problems in the area surrounding the facility, during the course of the hearing, I would like the Parties to address the circumstances surrounding Algonquin's 2001 comments regarding the necessity of future rate increases. I would also like the Parties to address the odor issues in the context of the 2001 Settlement Agreement and its premise that investor ownership would yield improved operations. I am particularly interested in testimony that would demonstrate that there have been improvements to the Company's operations since 2001.

Thank you for your attention to these questions. Your participation in the hearings and answers to these questions will aid me in my deliberations in this case.

Sincerely,



Kris Mayes  
Commissioner

cc: Chairman Jeff Hatch-Miller  
Commissioner William Mundell  
Commissioner Mike Gleason  
Commissioner Barry Wong  
Brian McNeil  
Heather Murphy  
Docket

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<sup>4</sup> I have docketed the news article from the July 14, 2006 edition of the East Valley Tribune that includes an account of Mr. Hill's comments.

<sup>5</sup> See. Decision No. 64186, Page 4.



480-898-6865

July 14, 2006

## Sewer, management of plant raise stink for some in Gold Canyon

By Art Martori  
Tribune

Many Gold Canyon residents had the same thing to say about their sewer and the way the sewer has been managed - it stinks. Canada-based sewer provider Algonquin Power Income Fund will ask the Arizona Corporation Commission on Sept. 13 for a rate increase that would double Gold Canyon residents' current monthly bill, bringing it to about \$75.

But after Algonquin purchased the Gold Canyon facility in 2001, then-Algonquin spokesman Trevor Hill promised residents their rates wouldn't increase. Despite the \$10 million his company was forced to spend on improvements, Hill said the monthly rate would stay at \$37.

Hill and Algonquin parted ways shortly after he made the promise.

"That person is no longer with us," said Kelly Castledine, an Algonquin spokeswoman. "He misspoke, but unfortunately we can't go back and retract his statement."

Algonquin, a publiclytraded company, has an obligation to its stockholders, Castledine said. The company needs to double its rates in order to provide investors a return. She added that when Algonquin purchased the Gold Canyon facility, it had to spend \$10 million to comply with an order from the Arizona Department of Environmental Quality to control the noise and smell, and to improve the quality of treated water.


"It's not like we decided it had to be done; it was regulated," she said. "We're not being greedy."

The Algonquin announcement of the proposed rate hike was met with outrage by many of the more than 4,100 customers it serves, such as Gold Canyon resident Ron Kelly, 74, who said the company is going back on its word. He added the sewer plant is still noisy, despite Algonquin's multimilliondollar investment, and the stink still reaches his Mountain Brook home.

"I'm one that complains often," he said. "But I'm one that smells often."

Gold Canyon residents will be able to present their concerns to the corporation commission. Community advocates said they expect more than 500 people. Pinal County Supervisor Sandie Smith said corporation commission attorneys will need to decide if Algonquin's broken promise was legally binding, but the facility does stink sometimes.

"On certain days, there's still an odor problem," she said. "Citizens have the right to feel they haven't been told the truth."

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